

Message Text

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SP-02 STR-01 TRSE-00 LAB-01 SIL-01 SAM-01 OMB-01 SS-15

NSC-05 L-01 PA-01 PRS-01 USIA-06 EA-06 NEA-06 ACDA-05

SAJ-01 /090 W

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R 241916Z OCT 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 7689

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY PRAGUE

AMEMBASSY ROME

AMEMBASSY SOFIA

AMEMBASSY THE HAGUE

AMEMBASSY WARSAW

UMSISSION OECD PARIS

USMISSION NATO

USMISSION GENEVA

C O N F I D E N T I A L SECTION 1 OF 2 EC BRUSSELS 8324

E.O. 11652: GDS

TAGS: PFOR, ETRD, EEC, COMECON

SUBJECT: EC RELATIONS WITH THE SOVIET UNION AND EASTERN EUROPE

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REF: A. EC BRUSSELS 5881 B. EC BRUSSELS 7585 C. EC BRUSSELS 8054

D. MOSCOW 15879 E. BONN 16622

1. SUMMARY: THIS CABLE UPDATES THE BASIC OUTLINE OF ECONOMIC RELATIONS EMERGING BETWEEN THE EC AND THE STATE-TRADING COUNTRIES CONTAINED IN REF. A. PROGRESS HAS BEEN MADE ON THREE SPEARATE FRONTS: (A) THE COMMISSION WILL REPLY, IN THE VERY NEAR FUTURE, TO THE INVITATION ISSUED TO PRESIDENT ORTOLI BY THE SECRETARY GENERAL OF COMECON; (B) THE EC COUNCIL HAS GIVEN FIRST CONSIDERATION TO A NEGOTIATING MODEL TO BE APPLIED BY THE COMMISSION WHEN IT ASSUMES RESPONSIBILITY FOR COMMERCIAL RELATIONS WITH THE SOVIET UNION AND EASTERN EUROPE ON BEHALF OF THE ENTIRE COMMUNITY AFTER JANUARY 1, AND (C)

THE SPECIAL COMMITTEE SET UP BY THE COUNCIL ON JULY 23 TO DEAL WITH INDUSTRIAL COOPERATION AGREEMENTS HAS HELD ITS FIRST MEETING AND HAS BEGUN TO REVIEW THOSE AGREEMENTS CURRENTLY IN EFFECT. END SUMMARY.

2. AT THE EC COUNCIL ON OCTOBER 15 THE FOREIGN MINISTERS WERE BRIEFED ON THE COMMISSION'S PLANS FOR RESPONDING TO THE INVITATION TO COMMISSION PRESIDENT ORTOLI TO OPEN DISCUSSIONS IN MOSCOW WITH COMECON SECRETARY GENERAL PADEYEV. THE COMMISSION WILL FIRST PROPOSE TALKS AT A "TECHNICAL LEVEL" (POSSIBLY LED BY DIRECTOR GENERAL FOR EXTERNAL AFFAIRS WELLENSTEIN). IF THESE PRELIMINARY DISCUSSIONS PROVE FRUITFUL, EITHER COMMISSION PRESIDENT ORTOLI OR COMMISSION VICE PRESIDENT FOR EXTERNAL AFFAIRS SIR CHRISTOPHER SOAMES WILL TRAVEL TO MOSCOW TO MEET WITH FADEYEV. IT IS EXPECTED THAT THE COMMISSION WILL SEND ITS ANSWER TO FADEYEV WITHIN THE VERY NEAR FUTURE, POSSIBLY DURING THE FIRST WEEK IN NOVEMBER. AS REPORTED REF. B, THE TALKS ARE EXPECTED TO CENTER ON THE EXCHANGE OF SCIENTIFIC AND TECHNICAL INFORMATION ON QQUESTIONS OF MUTUAL INTEREST AND ON COMMERCIAL COOPERATION (NOT FURTHER DEFINED).

3. AS REPORTED BY EMBASSY BONN (REF. E) THE OCTOBER COUNCIL ALSO CONSIDERED A NEGOTIATING SCHEME OR MODEL BILATERAL AGREEMENT FOR TRADE RELATIONS WITH
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EAST EUROPEAN COUNTRIES WHICH WAS PROPOSED BY THE COMMISSION. (AS WE HAVE PREVIOUSLY REPORTED, THE COMMISSION WILL TAKE OVER RESPONSIBILITY FOR THE NEGOTIATION OF ALL TRADE AGREEMENTS BETWEEN THE MEMBER STATES AND STATE-TRADING COUNTRIES ON JANUARY 1, 1975). THE PROPOSED MODEL BILATERAL AGREEMENT WAS REFERRED BY THE COUNCIL TO THE COMMITTEE OF PERMANENT REPRESENTATIVES (COREPER) FOR FURTHER CONSIDERATION, AFTER WHICH IT WILL COME BACK

TO THE COUNCIL FOR FINAL APPROVAL, PROBABLY ON NOVEMBER 11. THE FRENCH HAVE LIFTED THEIR RESERVATION AND THE COUNCIL HAS APPROVED THE INCLUSION OF TRADE BETWEEN THE COMMUNITY (WITH THE EXCEPTION OF THE FRG) AND THE GDR IN THE COMMON COMMERCIAL POLICY. IN THIS CASE, BECAUSE OF THE SPECIAL TREATMENT GIVEN INTER-ZONAL TRADE, THE COMMISSION WOULD BE NEGOTIATING ON BEHALF OF THE EIGHT OTHER COMMUNITY MEMBERS.

4. THE COUNCIL ALSO DECIDED TO INCLUDE UNDER THE COMMON COMMERCIAL POLICY THE PRODUCTS COVERED BY THE EUROPEAN COAL AND STEEL TREATY. COREPER MUST STILL CONSIDER THE QUESTION OF HOW TO TREAT ASIAN STATE-TRADING COUNTRIES AND THE MORE SERIOUS QUESTION OF INCLUDING A VERY GENERAL CLAUSE IN THE MODEL BILATERAL CONCERNING ECONOMIC COOPERATION. THE FRENCH HAVE OBJECTED TO THIS LATTER POINT AND SEEK TO RESTRICT THE COMMISSION TO NEGOTIATING ONLY ON PURELY COMMERCIAL MATTERS. THEY FEEL CONSIDERATION OF ECONOMIC COOPERATION SHOULD BE COMPLETELY RESERVED FOR THE MEMBER STATES AND NOT MENTIONED BY THE COMMISSION.

5. THE MISSION HAS OBTAINED A COPY OF THE CURRENT VERSION OF THE MODEL BILATERAL. THE IMPORTANT POINTS ARE SUMMARIZED BELOW:

- THE AGREEMENTS SHALL BE LONG TERM, NON-PREFERENTIAL ACCORDS, PLACING THE RELATIONS OF THE SIGNATORIES ON A CONTRACTUAL BASIS IN ORDER TO ENSURE THEIR SUBSTANTIVE AND HARMONIOUS DEVELOPMENT.
 - THE PARTIES WILL ACCORD EACH OTHER MFN TREATMENT, "WITH THE TRADITIONAL EXCEPTIONS."
 - THE COMMUNITY DECLARES ITS READINESS TO CONSIDER LIMITED TARIFF CONCESSIONS, IN COOPERATION WITH THE PARTNERS TO THE NEGOTIATION, ON PRODUCTS OF PARTICULAR
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IMPORTANCE TO BOTH.

- THE SIGNATORIES WILL SEEK TO LIBERALIZE TRADE IN PRODUCTS NOW QUANTITATIVELY RESTRICTED - (TEXTILE TRADE EXCEPTED).

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-WITH THE EXCEPTION OF THE COMMON AGRICULTURAL
POLICY (THE MECHANISM OF WHICH WILL NOT BE DISCUSSED),
THE PARTIES WILL COOPERATE IN THE AGRICULTURAL FIELD,
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PRIMARILY BY EXCHANGING INFORMATION.

- APPROPRIATE SAFEGUARDS, BOTH IN THE AREA OF PAY-
MENTS AND IN OTHER AREAS, WILL BE NEGOTIATED TO TAKE
INTO ACCOUNT THE SYSTEMIC DIFFERENCES BETWEEN THE
SIGNATORIES.

- THE ACCORD IS TO CONTAIN A CLAUSE COMMITTING THE SIGNATORIES TO ATTEMPT TO DEVELOP ECONOMIC COOPERATION IN AREAS OF MUTUAL INTEREST IN A MANNER COMPLEMENTARY TO THEIR COMMERCIAL EXCHANGES. (THIS PARAGRAPH IS OBJECTED TO BY THE FRENCH.)

- A MIXED COMMISSION IS TO BE SET UP TO PERMIT THE PARTIES TO CONSULT, MONITOR THE APPLICATION OF THE ACCORDS, AND TO EXAMINE FURTHER POSSIBILITIES FOR COOPERATION.

COMMENT: THE EC PAPER DOES NOT REFER TO THE PROBLEM OF OBTAINING EFFECTIVE RECIPROCITY FROM CENTRALLY PLANNED, STATE-TRADING COUNTRIES. AS FAR AS WE ARE AWARE, THIS ISSUE HAS NOT BEEN DISCUSSED.

6. ONCE THE COUNCIL HAS FINALLY APPROVED THE MODEL IT WILL BE COMMUNICATED TO THOSE COUNTRIES WHICH CURRENTLY HAVE BILATERAL AGREEMENTS WITH THE MEMBER STATES. THE COMMISSION, ACCORDING TO A SENIOR OFFICIAL, DOES NOT INTEND TO PROPOSE NEGOTIATIONS, BUT RATHER PLANS TO WAIT FOR THE RECIPIENTS TO DO SO. THIS SOURCE HAS ALSO INDICATED THAT EVEN THOUGH MOST BILATERAL TRADE AGREEMENTS WITH THE STATE-TRADING COUNTRIES WILL FORMALLY EXPIRE AT YEAR'S END AND THAT NEW AGREEMENTS WILL NOT BE IN PLACE BY THAT TIME, TRADE BETWEEN THE MEMBER STATES AND THE STATE-TRADING COUNTRIES WILL CONTINUE AS SPECIFIED IN THE PRESENT PACTS. THUS, WHILE IT IS LIKELY THAT THE MODEL BILATERAL WILL BE APPROVED BY

JANUARY 1, THIS DATE DOES NOT, IN FACT, REPRESENT A DEADLINE BY WHICH TIME THE COUNCIL MUST TAKE ACTION. IN ANY CASE, IT IS WIDELY SPECULATED THAT THE STATE-TRADING COUNTRIES INTEND TO WAIT AND SEE HOW THE DISCUSSIONS BETWEEN THE COMMISSION AND COMECON PROGRESS BEFORE COMING FORWARD FOR BILATERAL TALKS.

7. OCTOBER WAS ALSO A MONTH OF CONSIDERABLE ACTIVITY IN THE AREA OF INDUSTRIAL AND ECONOMIC COOPERATION WITH CONFIDENTIAL

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THE STATE-TRADING COUNTRIES. SUCH AGREEMENTS, WHICH SINCE JULY 23 ARE SUBJECT TO REVIEW BY THE COMMISSION, WILL NOT BE AFFECTED BY THE JANUARY 1 DATE. THE COMMITTEE, CREATED BY THE COUNCIL TO INSURE THAT AGREEMENTS IN THE INDUSTRIAL, TECHNICAL AND ECONOMIC AREAS DO NOT UNDERMINE THE COMMON COMMERCIAL POLICY HELD ITS FIRST MEETING AND EXAMINED A NUMBER OF PACTS ALREADY IN OR UNDER NEGOTIATION. (SEE PARAGRAPHS 4 AND 5, REF. A). UNDER THE PRESENT PROCEDURE, FOR EXAMPLE, THE RECENTLY NEGOTIATED AGREEMENT BETWEEN THE USSR AND FRANCE (REF. F) WILL BE EXAMINED BY THE REVIEW COMMITTEE BEFORE IT IS SIGNED. THIS PROBABLY EXPLAINS THE

DOCUMENT'S LACK OF SUBSTANTIVE TRADE-RELATED CONTENT,
AS THE FRENCH WOULD CERTAINLY NOT WANT TO HAVE THE
AGREEMENT QUESTIONED--AND MODIFIED, AS HAPPENED IN THE
DUTCH/ROMANIAN CASE--WHILE THEY ARE IN THE EC PRESIDENCY.

8. COMMENT: IT IS STILL TOO EARLY TO JUDGE THE EXTENT
TO WHICH OR THE SPPE WITH WITCHTHE EC AND ITS
INSTITUTIONS, AS A UNIT, WILL EFFECTIVELY DEAL WITH
THE STATE-TRADING COUNTRIES. BUT AFTER SEVERAL YEARS
OF FALSE STARTS, THE EC APPEARS FINALLY TO BE MAKING
STEADY PROGRESS. IT IS ALSO TOO EARLY TO SEE WHAT THIS
DEVELOPING RELATIONSHIP WILL MEAN FOR U.S. INTEREST
AND WHETHER IT WILL RAISE ANY PROBLEMS FOR US-EC
RELATIONS. WE BELIEVE THAT THIS MIGHT WELL MERIT
DISCUSSION AT THE DECEMBER 5-6 US-EC CONSULTATIONS IN
WASHINGTON. GREENWALD

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